

Income Tax Notice:

Understanding Reasons, Types & How to Respond

What is an Income Tax Notice?

An Income Tax Notice is a formal communication from the Income Tax Department informing a taxpayer about an issue related to their tax return. It may require the taxpayer to clarify information, submit additional documents, or pay pending taxes.

Common Reasons for Receiving an Income Tax Notice:

- ✓ Mismatch in Income & Tax Data – Discrepancies between your ITR and Form 26AS, AIS, or TDS records
- ✓ Non-Filing of Income Tax Return – If you have taxable income but didn't file your return
- ✓ High-Value Transactions – Large cash deposits, property purchases, or stock market investments flagged for review
- ✓ Claiming Excess Deductions – If deductions under Section 80C, 80D, HRA, or LTCG exemptions seem excessive
- ✓ Random Scrutiny – Some cases are selected for scrutiny as per tax department algorithms

Types of Income Tax Notices & How to Respond

1. Notice Under Section 143(1) – Intimation Notice

This is an intimation sent when there is a difference between the tax paid and tax computed by the IT Department.

2. Notice Under Section 142(1) – Inquiry Before Assessment

3. Notice Under Section 139(9) – Defective Return

4. Notice Under Section 148 – Reassessment Notice


5. Notice Under Section 156 – Demand Notice

6. Notice Under Section 271B – Penalty for Not Filing Tax Audit Report

How to Respond to an Income Tax Notice?

- Step 1: Read the Notice Carefully
- Step 2: Log in to the Income Tax Portal
- Step 3: Submit the Required Documents
- Step 4: File a Revised Return (If Needed)
- Step 5: Respond Before the Deadline

What Happens If You Ignore an Income Tax Notice?

 Ignoring a notice can lead to:

- ✗ Heavy penalties & fines under Sections 271 & 272A
- ✗ Legal action or prosecution for tax evasion
- ✗ Bank account seizure in extreme cases

Preventing Future Income Tax Notices

- ✓ File Your ITR on Time – Avoid non-filing penalties
- ✓ Ensure Accurate Reporting – Match income details with Form 26AS & AIS
- ✓ Keep Financial Records – Maintain proper tax documents for at least 6 years
- ✓ Respond Promptly – Avoid escalation by replying on time

Conclusion

An Income Tax Notice is not always bad news—it can be a routine request for information or a correction alert. By understanding the type of notice, responding properly, and ensuring compliance, taxpayers can avoid penalties and legal issues.

Need Help with an Income Tax Notice?

Our tax experts can **analyze your notice, draft responses, and handle tax compliance for you. Contact us today for assistance!** 